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19 DEC 1972

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MEMORANDUM FOR: Executive Director-Comptroller

THROUGH : Deputy Director for Support

SUBJECT : Review of the Fitness Report Program

REFERENCE : Memo for D/Pers fr ExDir-Compt dtd 7 Jun 72, subj:
Fitness Reports

1. This memorandum is in response to your request for a comprehensive review of the Fitness Report Program in terms of current Agency needs and the general direction of trends in performance evaluation elsewhere. As background, we screened recent publications on performance evaluation; we reviewed current trends and practices in performance evaluation elsewhere in the Federal Government and in the private sector; and we solicited comment from a variety of knowledgeable sources within the Agency.

2. The Agency is exempt from the Performance Rating Act which governs performance evaluation in the Federal service generally and, therefore, has been free to develop an evaluation system suited to its own needs. The recently published History of Fitness Reporting in CIA (Appendix) records the continuous attention which top management has given to the systematic evaluation of the performance of Agency employees. It details about a dozen significant changes in the system during the past twenty years. These include a variety of approaches ranging from the early production of highly structured records of the personality characteristics of employees to more recent emphasis on the exchange of performance information between employees and their supervisors as a stimulus to motivation and productivity. Such changes in program emphasis and record format were not imposed by "personnel experts" but evolved through the direct interest and efforts of the Agency's most senior managers. Their deliberations led them to face most of the problems which are inherent in designing systems of performance evaluation. For example, whether to "show" or "not show" employees their ratings was a recurring issue until 1962 when that argument ended with the introduction of a requirement that the employee certify his having seen his Fitness Report. This was recognition that the form simply could not convey its message to employees otherwise. In spite of shifts in their interest, senior Agency officials have never doubted the need for an Agency-wide system to record evaluations of individual performance. The most recent changes in the Fitness Report were developed and approved by the Deputy Directors and the Executive Director-Comptroller in July 1969.

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3. Publications on performance evaluation during the last ten years reveal little that is new except for work in the area of "organization development," the reappearance of some experimentation with "client-centered" procedures in several school systems, and reaffirmation of the difficulties and potential negative influence which are inherent in performance rating systems. The literature also highlights certain characteristics which are typical of performance evaluation systems in general.

a. Performance rating systems usually fail to produce the results which management anticipates when the systems are designed.

b. There is no sound evidence that those typical systems wherein supervisors "rate" their subordinates actually contribute appreciably toward improved performance.

c. There is considerable opinion that such systems may retard the development and productivity of a work force. They can squelch initiative and creativity by stressing the need for subordinates to act and be judged in response to specific direction and control by their supervisors. For example, research conducted in the General Electric Company several years ago emphasized the possible negative effect of performance interviews and the adverse influence of negative criticism on productivity. Fortunately, researchers also conclude that performance interviewing techniques can be taught so as to minimize these adverse effects.

d. Management which is oriented toward "organization development" focuses attention on the quality of the working climate and on the interrelationships among members of a work group as they contribute toward the productive efforts of the group as a whole. Open, constructive criticism and a sharing of feelings of frustration or displeasure are encouraged in the day-to-day interaction among group members. Instead of telling subordinates what is expected of them individually, the leader in such a group tries to synthesize and comment on the interaction of significant activities of group members as they relate to the accomplishment of group objectives.

e. Basic considerations of purpose are also essential to the design of a performance evaluation system.

(1) Is it intended that the system will develop official records of individual performance for use in comparison with the performance records of others? If so, the system is necessarily "locked in" in terms of a need for some degree of standardization in the timing and format of such records.

(2) Is the system supposed to contribute to the development of individuals by "telling them where they stand" in relation to "what is expected of them?" If so, the record must be made

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available to the individual employees concerned. This will also tend to limit the record content to only that which the rater is willing for the employee to see.

(3) Care must be taken that the overall system is not designed in a way to deter employee motivation. For example, rating systems which involve the statistical concept of "average" automatically and continuously label much of the group population as being "below average." "Average" and "below average" labels are offensive and disruptive to most healthy members of our culture. Employees so labeled are usually unable to accept these designations and are apt to react with resentment or an attitude of no confidence in the validity of the evaluation system. Although the application of such statistical terms may seem attractive to management, their net value is doubtful because they are destructive to the self-esteem and motivation of a large percentage of the members of a work group.

4. Action is pending within the Government to improve supervisor-employee communication on performance while reducing the extent of control by the Civil Service Commission and allowing Federal agencies greater freedom in designing performance evaluation systems to meet their particular needs. In March 1972 the Department of the Army issued new instructions clarifying its "intent to require that an employee be permitted to review his Employee Record" which includes annual performance ratings. The Department of State is also introducing changes to free up the Foreign Service Rating System.

a. The Performance Rating chapter of the Federal Personnel Manual is being rewritten and retitled "Performance Review." This new title reflects the current emphasis that performance evaluation is an on-going process of which the preparation of performance ratings is only a minor part. Generally the revised chapter will present "guidelines" rather than "requirements" for performance evaluation systems.

(1) Statutory Appeal Boards will be dropped from the new chapter, and Appeal Boards will be formed henceforth ad hoc as needed.

(2) The time requirements on ratings will be removed. The present Federal System requires annual ratings for employees below grade GS-11 and ratings each 18 months for employees grade GS-11 and above. Under the revised chapter each agency will be free to set its own time limits and could take the course that "your performance evaluation remains the same as when last reported to you until you hear differently." This change is also consistent with the overall philosophy that evaluation is a continuing process.

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(3) The revised chapter will still require a minimum of three rating levels (Unsatisfactory, Satisfactory, and Outstanding); and, as now, agencies will have the option of adding one additional rating level between Satisfactory and Outstanding. It will also continue to require that employees be rated "without any requirement that ratings conform to a predetermined distribution and without any controls that prevent fair appraisal of performance in relation to performance requirements."

(4) If forms are used in the rating process, the forms will still have to be a part of the agency's official performance rating record and be available for inspection by the employee rated. It will also continue to require a 90-day prior warning and a reasonable opportunity for an employee to demonstrate "Satisfactory" performance before he may be rated "Unsatisfactory."

b. Effective 25 February 1972 the Foreign Affairs Manual was amended to require that the rated officer, after reviewing the completed report and the reviewing officer's comments, append a statement "Certifying that the rating officer discussed the performance and the report...with the rated officer and commenting on the extent to which adequate goals or standards for the rated officer's performance had been established. The rated officer may rebut the evaluation...and comment on its contents if he chooses." This spring we were also advised that responsible planning officers in the Department were contemplating changes in the evaluation system which would have to be worked out in coordination with the three employee organizations which represent foreign service personnel. Action was under consideration to:

(1) Add a section for "self evaluation" which would call for employees' self appraisals and ask that they record their "hopes and ambitions" and express their interests in training, and how they feel about their work, their superiors, and their career prospects.

(2) Discontinue the numerical ratings which have been found to be of little real use in practice.

(3) Discontinue those parts of the current system which deal with potential and invite promotion recommendations. This has been found to stimulate excessive recommendations and to contribute little of significant benefit to management.

(4) Work overall toward a "freer" format with fewer boxes to restrict the rater's responses and allowing him to determine the order and manner in which narrative comment on significant aspects of performance are presented.

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Consideration of these issues is still underway. In July 1972 the Director General of the Foreign Service reported,... "Disparate opinions still exist on what the model rating form should be. The self appraisal concept was the single most controversial feature of the proposal with the overwhelming majority of comment being negative for a wide variety of reasons... Another feature which elicited general comment was goal-setting. ... Reaction was understandably mixed. Some find goal-setting impractical and unrealistic while others consider it to have useful potential if properly applied... These responses mirror with great consistency the reaction we have received here in our soundings in the Department and underline the complete lack of consensus on the issue. Clearly we have much more work to do to develop an acceptable form." It is difficult to foresee the outcome of these deliberations which involve the viewpoints and political interests of several organized groups.

5. Information concerning practices in the private sector was obtained through our referral by the Civil Service Commission to a researcher who is conducting a current study of these practices for another agency. Tab C, I through VII, describes performance appraisal systems in use by those industrial concerns which responded to his request for information. In summary:

a. The performance appraisal systems in all seven companies are essentially results-oriented. That is, they are concerned primarily with the productive effect of job performance as opposed to the assessment of personality characteristics of the individuals concerned. In all cases the appraisal systems are designed to include the supervisor's opinion concerning the employee's strengths and weaknesses. Most systems also invite comments on training or experience which would enhance the employee's qualifications and career development.

b. Four of the seven companies use a single format to record performance appraisals throughout their organization. Three of the companies use different formats in their various components. For example, there is no "company-approved" system or format for such appraisals at General Electric where each of the company's operating components develop their own appraisal procedures and instruments.

c. The appraisal formats range from the very simple to the very complex and the frequency of the preparation of formal evaluations varies from six months to two years.

d. All seven companies use a narrative appraisal instrument. Six companies supplement these narrative appraisals with evaluations based upon some rating scale. Generally both the narrative comment and the ratings are job-related and cover only such personality factors as are related directly to the individual's performance in his present job. For instance, Texas Instruments specifies that supervisors may evaluate such factors as "technical competence,

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commitment to organizational objectives, ability to motivate people, acceptance and responsiveness to decisions..." when they are job-related.

e. The employees concerned see their recorded performance appraisals in four of the systems described (General Electric, IBM, Texas Instruments, and Western Electric). Employees are not shown their appraisals in the other three systems which in each case supplement the performance appraisal with additional evaluations of such factors as potential and promotability.

6. Within the Agency we gathered a wide range of comments and suggestions reflecting a variety of experience with the Fitness Report Program. It includes reports from the MAG and JAP groups, the viewpoints expressed by the members of two panels of experienced career personnel officers, the consensus of attendees at performance evaluation seminars as reported by the OTR officer who conducts them, a report of the results of deliberations by the Clandestine Service Personnel Management Committee, a current proposal by the Executive Director of NPIC, and some pertinent comments of individual employees and retirees which came to our attention in the course of this review. Pertinent background documents are attached as Tabs A through E. As one would expect, there is no unanimity among these expressions; however, there is a significant consensus in certain important areas of opinion.

a. The Agency has a considerable investment in the Fitness Report system and there is no evidence of general concern or dissatisfaction with the present Fitness Report Form per se, although minor refinements were suggested which were designed to improve communications and to increase employees' participation in the evaluation process.

b. There is general agreement on the advantage of using one format to record performance evaluations throughout the Agency.

c. There is little opinion that a form can be designed which would serve the Agency's purpose more effectively than the current Fitness Report.

d. In general, adverse criticisms are directed toward various shortcomings in the areas of career planning, career counseling, and career development and not toward the Fitness Report as a mechanism for performance evaluation.

e. There is considerable opinion that use of the current Fitness Report can be adapted as necessary to suit differences in the requirements for performance evaluation in various parts of the Agency.

f. A clear majority feel that the Agency rating system should be focused on performance evaluation and not upon appraisals of

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potential. In this connection it is recognized that the several career services use a variety of evaluative techniques to suit other management objectives which involve competitive comparisons of employees' potential. The results of such appraisals are generally not available to the employees concerned.

g. There is near unanimity in the view that employees should have access to all of the information in their official performance rating records. This includes the comments of reviewing officials which should be directed toward performance. The only contrary view was expressed by a majority of members of the Clandestine Service Personnel Management Committee who held that reviewing officials should have the option of determining whether their comments are to be shown to the rated employees.

7. From this review we have reached the following conclusions:

a. The job performance evaluation system should be designed to promote communication and understanding between supervisors and employees with respect to the work at hand. It should be administered to stimulate, motivate and encourage productivity. Ideally, the system would formalize evaluations of performance which are already known to employees through day-to-day communications with their superiors. In this context, the employee should be aware of the written record of his job performance and all items used to record the specifics of that performance, and he should be permitted to comment on the record if he chooses.

b. An appraisal system which is meant to inform employees concerning their job performance must be designed and administered quite apart from other systems which evaluate employees comparatively in terms of such factors as career potential and promotability. Appraisals of such factors as career potential and promotability go beyond current work performance and involve elements and person-to-person comparisons which would be counter-productive if made known to the employees concerned. The several Career Services have developed a variety of systems to facilitate comparative evaluations of their members for such purposes as career development, assignment, promotion and selection-out. They should be encouraged to continue to develop and improve these systems as best suited to their peculiar needs. It would serve no purpose to try to impose an Agency-wide system or format for these evaluations.

c. Greater emphasis should be placed on the enrollment of supervisors in the Performance Appraisal Workshop conducted by the Office of Training. Currently, there is no mention in Agency Regulations concerning training of supervisors in the use of the Fitness Report or performance evaluation.

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d. The current Fitness Report program is generally in tune with up-to-date developments on job performance evaluation and is well suited to the Agency's need for such a system, although certain changes can be made in the program to improve its usefulness in the foreseeable future.

8. The following recommendations are made:

a. Place the employee signature block as the last item on the Form and revise the certification statement to indicate that the employee has seen all entries on the form (Tab A).

b. Add in the certification block an invitation to the employee to attach any comment (not necessarily in rebuttal) which he feels will contribute to the record of his job performance and require him to check an appropriate box indicating that he has or has not chosen to do so.

c. Revise the Fitness Report Instructions (Tab B) to re-emphasize that evaluations and narrative comments should relate to job performance and that any comments concerning potential should be confined to factors related to job requirements.

d. Include in the Instructions a requirement that reviewing officials confine their comments to the evaluation of the person being rated and not to include an evaluation of the rating official.

e. Include in the Instructions a requirement that rating officials comment on the rating performance of those employees who are themselves rating officials.

f. Forward a copy of the revised Fitness Report Instructions with each set of three Fitness Report Forms for review by the rating and reviewing officials before completing the Fitness Report.

g. Revise Agency Regulations to make the Deputy Directors responsible for providing instructions and guidance in adapting the use of Fitness Reports so as to best evaluate the job performance of employees within their areas of jurisdiction.

h. Revise Agency Regulations to make the Deputy Directors responsible for providing guidance to the Heads of Career Services under their jurisdictions in developing and administering systems for appraising such factors as promotability and career potential.

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i. Revise Agency Regulations to make the Director of Training responsible for providing instruction in job performance evaluation for all supervisors, including instruction in the use of the Fitness Report Form and emphasizing the development of skills in conducting job performance evaluation interviews.

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Harry B. Fisher
Director of Personnel

Attachments:

- A. Revised Fitness Report Form (second page)
 - B. Revised Fitness Report Instructions (second page)
 - C. I through VII--Industrial Appraisal Systems
 - D. Management Advisory Group Review
 - E. Personnel Junior Advisory Panel Review
 - F. Agenda and Minutes of CS/PMC Review
 - G. Suggestion by Executive Director, NPIC
 - H. Suggestion by Mr. [REDACTED] (Retiree)
- Appendix--History of Fitness Reporting in CIA

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